



EAGLE VISION
PHARMACEUTICAL CORP.

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March 28, 2005

Gary M. Jackson
Assistant Administrator for Size Standards
Office of Size Standards
Small Business Administration
409 Third Street, SW
Washington, DC 20416

RE: Proposed Rulemaking Affecting SBIR Funding

Dear Mr. Jackson:

On behalf of Eagle Vision Pharmaceutical Corp. I want to thank you for the opportunity to comment on the SBA's Advance Notice of Proposed Rulemaking regarding participation of businesses in the SBIR program that are majority backed by venture capital (VC) companies.

We believe we are representative of the small businesses for which the SBIR program was established: a small company creating innovative technology and evaluating its commercial potential for the benefit of the American people. We, like many others, have found the SBIR funding to be critical in advancing innovation through the research and early development stages.

We understand the role and importance of VC investments in the evolution of technology from research and development toward commercialization. The VC investments are at relatively higher risk than investments in established large companies. As such, the VC investor demands much higher than average return on their investment, and will typically 'cash-out' or exit prior to full commercialization of a given technology. Given the degree of VC involvement, the high amount of investment and the targeted return on that investment, we believe it would NOT be appropriate for businesses that are majority owned by VC investors to benefit from the SBIR program. Such participation would be tantamount to the American taxpayer hedging the investment risk of the VC, supporting VC-directed activities and/or, as a minimum, reducing the amount of investment that the VC would otherwise make available to the company.

Other reasons participation of VC-backed companies in SBIR programs may not be appropriate include:

VC-backed companies have typically received a substantial amount of private investment which allows the technology in question to be developed beyond the stage where the "pre-VC" small business could advance in the absence of such significant investment. This could cause a shift in SBIR funding toward VC-

backed companies from those earlier stage companies that may appear to be less competitive simply because they have not had the benefit of the funding to advance the technology to the same extent.

Pre-VC companies have little or no alternative financing available to them other than SBIR. The SBIR fills the funding gap for small businesses between start-up and development to a stage where the business is attractive to commercial or institutional/VC investors. A reduction in the funds available to these early companies could restrict or limit the breadth of innovation in America.

Those companies who are advancing technology that is not currently attractive to VCs must also rely heavily on SBIR support to advance their technology to a point where a commercial partner offers support.

In summary, we are not in favor of any further exclusions or exceptions that provide benefit to small businesses that are majority owned by VC investors. The stated primary purpose of VC investment is to maximize short-term return to investors. Motives for such purpose could be at odds with the objectives of the SBIR program. We believe further exclusions may merely support the investors and reduce their risk while risking the opportunity to advance additional innovation. We believe further exclusions of exceptions also have the risk of focusing investments toward near-term "hot" technologies and away from wide-ranging innovation. We understand the VC investment provides a vital role in commercializing certain technologies, but the returns to the investors should not be at the expense of the taxpayer beyond the point at which the institutional/VC investors believe it to be a worthwhile risk-adjusted opportunity.

I appreciate the opportunity to comment on this important matter.

Sincerely,

Handwritten signature of Phillip P. Harnish, CEO, in black ink. The signature is stylized and cursive, followed by the text "CEO" in a smaller, handwritten font.

Phillip P. Harnish, Ph.D.
President & CEO
Eagle Vision Pharmaceutical Corp.